

IT TAKES TWO:

Successful Provider Client Relationships

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Imagine you are a therapist and a couple contacts you wanting to improve their relationship. You set aside time to meet and learn about the current challenges in the relationship as well as the strengths they can make use of. You are excited about helping them make real changes in their relationship, but when the time for the appointment comes, only one person shows up. How effectively do you think you would be able to work on this relationship?

Creating a successful partnership between two people or between two corporate entities is a team effort. You need to consider both sides of the story and understand the dynamic however complex, something that can only happen if both sides of the relationship are equally involved and reflective.

Yet when it comes to sourcing provider and client relationships, all too often the magnifying glass is focused on the provider side of the relationship, seeking critique only from enterprise clients on how providers can drive improvements. Not only does this one-sided perspective fail to take into account the role that enterprise buyers must play in creating and sustaining positive relationships, it also tends to underplay the importance of mutual challenges that both client and provider need to work on together. Figure 1 below shows the common sentiments from each side of the relationship, who often misunderstand or misinterpret the other.

Figure 1: What Is Everyone Really Thinking?

The Client Conversation		The Service Provider Conversation	
Why aren't we getting the value we expected?	They want to attend our strategy meetings, but I think it is just to sell more services.	How we can add value when they won't share their strategic roadmap?	They want more innovation but aren't receptive to proposals!
CIO	Delivery Lead	Account Director	Delivery Lead
The service desk used to be so much faster at responding to issues.	Why can't they go beyond simply meeting the SLAs?	They wanted a lower cost to serve model, but now they aren't happy!	We are meeting the contract!
End User	Service Delivery Manager	Service Desk Lead	Service Delivery Manager

Imagine if all we heard was the left-hand side of this conversation. We would most likely conclude that a number of issues are plaguing the relationship, including:

1. Poor performance at the service desk is leading to unhappy end users.
2. The service provider is meeting service levels but not helping drive business outcomes.
3. The service provider is focused on sales instead of strategic contribution.
4. The service provider has failed to deliver the expected value.

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Needless to say, a much fuller understanding can be gained by taking into account both sides of the conversation. When we have access to the provider's feedback, we can see that other issues are impacting the relationship, including:

1. The enterprise client fails to adequately communicate the new service levels and the rationale for the outsourcing engagement in the first place, which happens to be cost savings.
2. The client fails to update the contract so that SLAs adequately support business goals.
3. The client puts time pressure on the provider and compromises delivery outcomes.
4. The client fails to share strategic information that would allow it to fully leverage the expertise of the provider.

Nearly all sustainable, healthy engagements are characterized by both the client and provider taking equal responsibility for the state of the relationship. Increasingly, enterprises are realizing the value of gathering 360-degree feedback on the relationship and jointly defining a pathway for success. As sourcing ecosystems become more and more complex, the risks increase for those that shirk responsibility for optimal relationships. Some organizations are aiming to become "a client of choice" such that providers' employees want to work on the account and are engaged and motivated to do their best work.

A program that elicits 360-degree feedback offers the following benefits:

- A sense of shared responsibility and joint ownership for improvement
- Increased client engagement and participation in action planning
- Guidance on how to become a "client of choice"
- Information that can drive action on shared or system issues in the relationship (e.g. adversarial conduct or misalignment in understanding the contract)
- A joint vision for what success looks like
- A more well-balanced view of the relationship.

A Real-life Case Study

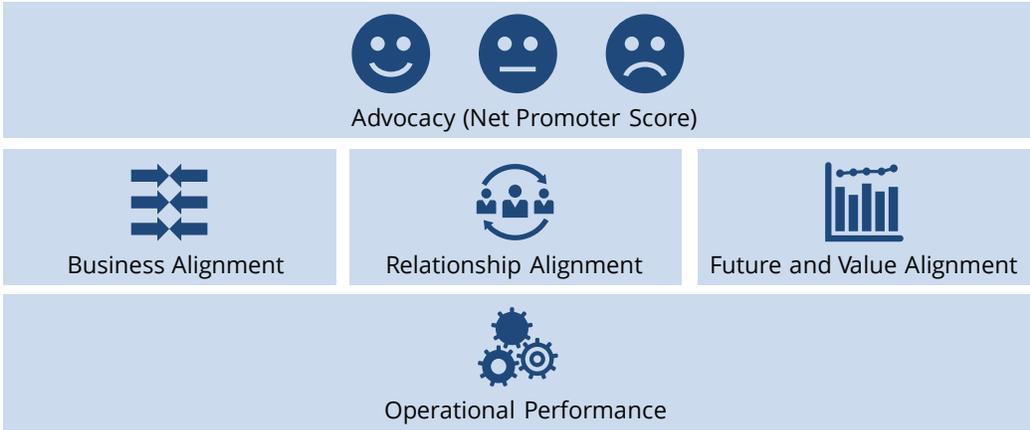
A leading IT services provider was in a longstanding and deteriorating relationship with a large utility company. The contract was coming up for renewal, and the service provider believed there was a real chance that its client was going to put all services out to competitive bid. The provider needed to make noticeable gains in the relationship in the short time before renewal.



Using the ISG Performex Relationship360™ diagnostic tool, the company assessed the health of the engagement and took stock of the responsibilities of both itself and its client in building a successful and mutually beneficial engagement. A customized ISG Relationship360™ assessment included bi-directional feedback from a series of interviews with senior provider and client stakeholders.

The results of the ISG Relationship360™ assessment, as seen in the graphic below, addresses the fundamentals of productive and sustainable supplier relationships by tallying the Net Promoter Score, a measure of the client’s willingness to advocate for the provider, and by measuring business alignment, relationship alignment, and future and value alignment. Other critical elements often include governance frameworks, operational performance and project services.

Figure 2: ISG Relationship360™

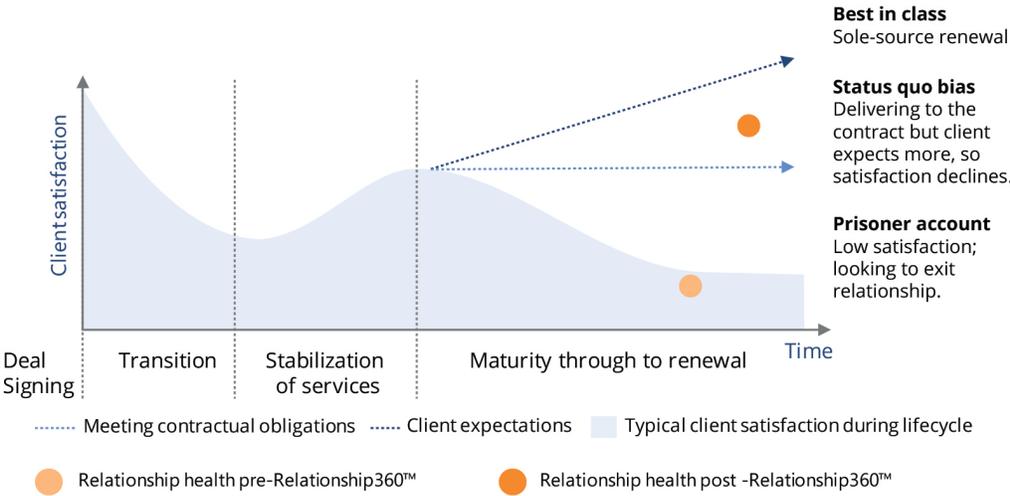


During the process of this program, the service provider identified five fundamental components of the relationship that needed repair: governance, reporting, processes, team structure and communication. We also discovered an overarching need to radically improve the culture of the relationship. These themes formed the foundation of a three-hour action-planning workshop attended by stakeholders from both the provider and client organizations. The workshop created a comprehensive plan for improving the engagement with associated milestones and owners, identified owners from both the provider and client organizations and assigned shared responsibility for driving respective components of the action plan. Perhaps most importantly, the workshop served as the beginning of an ongoing dialogue between the parties about making the relationship more productive and cooperative.



Eight months after the provider recognized the need to address the health of its relationship with the utility company, the relationship was completely reinvigorated, and the sourcing client decided to conduct a sole-source renewal. This saved both the client and the service provider a considerable amount of money and time it would otherwise have spent on a competitive renewal process, allowing focus on other business critical activities. When we remeasured the health of the engagement later, the Net Promoter Score had increased by a staggering 60 points. The transformation that occurred, which is plotted in the diagram below, would not have been possible without the mutual involvement of key stakeholders from both organizations.

Figure 3: Engagement Lifecycle



The engagement lifecycle in Figure 3 above plots customer satisfaction over the span of a typical sourcing relationship. Often, around two thirds of the way into a contract, the sourcing buyer begins to expect the provider to implement a program of continuous improvement, cost reduction and innovation. Continued satisfactory delivery without any evolution often leads to a decline in satisfaction because it does not meet client expectations of service evolution. Only those providers that demonstrate a consistent track record of service evolution, as illustrated by the darker blue line in the graph, are well positioned for future renewals.

Before the ISG Relationship360™, the utility enterprise was a prisoner account. It was simply waiting out the remaining time in the contract, with plans to go to market as soon as possible. After the ISG Relationship360™, the relationship was infused with a new sense of optimism and a belief that the provider could evolve to provide best-in-class services.

The ISG Relationship360™ helps enterprises and service providers jointly tackle issues in the relationship and elevate conversations from being solely focused on the tactical, to imagining the art of the possible. Contact me to discuss how ISG can help your organization.

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ABOUT THE AUTHOR

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